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B.C. SHEEP AND LAMB

MARKETING OPPORTUNITIES STUDY

Project Number 271314

Under

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Agriculture and Rural Development

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The responsibility for the report as written and all conclusions reached herein, is the consultants' alone, and does not necessarily reflect the opinions of those who assisted during the course of this investigation and the Federal and Provincial governments which funded the study.

EXECUTIVE SUMMARY

SCOPE OF STUDY

The major purpose of the study is to determine the marketing opportunities and constraints of the sheep industry in British Columbia. Accordingly, we have conducted an extensive market research program consisting of approximately 85 interviews with representatives of the major grocery chain stores, meat distributors, food wholesalers, purveyors, meat processors, food service companies and meat markets.

To assess the capability of the sheep industry in B.C. to meet the potential demand, we have conducted about 30 interviews with producers in each region of the province. In addition, we have contacted the major packing plants to determine the current constraints and the production capacity of the lamb slaughtering facilities in B.C.

STATE OF THE INDUSTRY

The sheep industry reached a peak in June, 1930 when there were approximately 145,000 sheep and lambs on farms in B.C. At that time, there were several full time commercial producers with flocks of 2,000 to 3,000 ewes. Since then, the industry has declined dramatically as the total sheep population as at June 1, 1982 is estimated to be only 61,000.

The location of the sheep population has shifted from the interior and northern regions of the province to the south coastal region. At the present time, the majority of sheep are raised by small part time producers located near the major urban centres in the Lower Mainland and Vancouver Island.

In 1981, approximately 34,000 sheep and lambs were slaughtered in B.C. Of this total, 72% were sold directly by the producer to the consumer or to retail outlets. As a result, the participation by the meat packing industry in the marketing of B.C. lamb is relatively minor at this time.

MARKET FOR LAMB IN B.C. IN 1981

(Pounds)

Market Segment	New Zealand	United States	Alberta	Australia	B.C.	Total
Hotels, Restaurants, and Institutions	895,000	125,000	10,000	-	-	1,030,000
Chain Stores	1,655,000	750,000	90,000	135,000	160,000	2,790,000
Meat Markets and Independents	450,000	250,000	25,000	25,000	190,000	940,000
Freezer/Ethnic	-	-	-	-	930,000	930,000
TOTAL	3,000,000	1,125,000	125,000	160,000	1,280,000	5,690,000
% OF TOTAL	52.7%	19.8%	2.2%	2.8%	22.5%	100.0%

Source: Don Ference & Associates Ltd.

The large proportion of farm gate sales is due to the higher return available by selling direct to consumers. For the majority of the producers, the return obtained by selling lamb to the abattoirs is insufficient to meet their production costs. The major factors contributing to the high production costs of B.C. sheep producers appear to be the small flock sizes, low productivity, high land and feed costs, and unsophisticated management practices. Furthermore, for the interior and northern parts of the province where production costs are lower, the distance to market is a significant impediment to expanded production.

There currently exists sufficient slaughtering capacity to handle lambs in B.C. Due to the lack of specialized equipment for slaughtering lambs, however, the productivity of the meat packers is low and killing costs high. All of the four major packing plants handling lamb in B.C. have experienced difficulty in getting a sufficient supply of lamb in order to develop the market in an orderly fashion. The lambs slaughtered by the plants in B.C. are sold in the form of whole carcasses to chain stores and meat markets. At the present time, there does not exist facilities for breaking down the carcass and marketing selected cuts.

DEMAND FOR LAMB

As shown in the table on the opposite page, the total volume of lamb consumed in B.C. in 1981 is estimated to be about 5.7 million pounds which is the equivalent of 150,000 lambs. The wholesale value of the lamb sold in B.C. in 1981 was approximately $10.5 million. Of the total sales volume, frozen lamb accounted for about 54% of the market and fresh lamb, 46%. The B.C. sheep producers supplied about 1.28 million pounds or 22.5% of the total market resulting in a revenue of about $2.5 million.

Approximately 3 million pounds or 52.7% of the total volume of lamb consumed in B.C. in 1981 was imported from New Zealand. The majority of the New Zealand lamb sold in B.C. consists of frozen primal cuts including legs, racks, shoulders, loins and shanks.

The major source of fresh lamb in B.C. is the United States, which supplied approximately 1.12 million pounds of fresh carcasses and selected cuts in 1981. Due to an increasing preference for fresh lamb, U.S. imports into B.C. are projected to increase by 25% to 1.4 million pounds in 1982, while the volume of frozen New Zealand lamb is projected to decline by 20%.

The chain stores represent the largest market segment and accounted for 49% of the lamb consumed in B.C. in 1981. The proportion of lamb sold through the hotel, restaurant and institutional (HRI) trade and the meat markets and independents was 18.1% and 16.6%, respectively. The remainder of the lamb was sold through the freezer/ethnic market which consists of direct sales by the producer to the consumer.

MARKETING OPPORTUNITIES

A summary of our market research findings regarding the potential to expand the local sheep industry are as follows:

1. The potential increase in industry revenues through the sale of sheep products such as wool, mutton, pelts and casings is limited.

2. There exists considerable potential to increase the sales of fresh lamb to the B.C. market if a regular source of supply can be developed. The potential to sell a fresh versus frozen product is greater as there exists a trend towards the sales of fresh lamb and the return from the fresh product is considerably higher.

3. One of the more attractive market segments for B.C. lamb is the meat markets and independents. The buyers in this market segment perceive the quality of B.C. lamb as superior to competitive products and are willing to pay a slight premium for the higher quality.

4. The chain stores also represent a very attractive market for B.C. lamb. The representatives of the major chain stores appear willing to support local lamb if a consistent source of supply can be assured. The chain stores suggested that B.C. lamb could initially be promoted on a seasonal basis when supplies are most plentiful.

5. In order to obtain a substantial share of the chain store market, however, a steady supply of lamb would have to be developed at a price competitive with U.S. imports. Furthermore, processing facilities would have to be established to provide vacuum packed lamb cuts as well as whole carcasses.

6. While the reputation of B.C. lamb is high in the hotel, restaurant and institutional trade, we do not feel that this market should be initially attempted by B.C. producers. Since the major demand of the restaurants is for lamb racks, it would be necessary to break down a large number of carcasses to obtain a sufficient volume. Furthermore, other markets would have to be developed for the remaining cuts.

7. There also exists some potential to increase sales of B.C. lamb to the freezer/ethnic trade by establishing minimum quality standards and undertaking a more coordinated marketing and promotion program. The access to the freezer/ethnic trade, however, is limited primarily to the smaller producers located around the major urban centres and can not be relied upon as a means of substantially expanding the sheep industry in B.C.

MARKET STRATEGY

We recommend that a phased approach should be taken to develop the market for B.C. lamb. The goals of each phase of the marketing strategy are as follows:

Short Term

To achieve the short term goals, the following steps should be undertaken simultaneously:

1. Increase sales of B.C. lamb to meat markets and independents from 190,000 pounds to 350,000 pounds per year.

2. Initiate sales of B.C. lamb to chain stores on a seasonal basis and increase sales from 157,000 pounds to 300,000 pounds per year.

3. Expand the freezer/ethnic trade by 20%, thereby increasing sales to a level of approximately 1,100,000 pounds per year.

In total, the short term goals of the B.C. sheep industry should be to increase sales from current level of 1.28 million pounds per year to 1.75 million pounds.

Long Term

Once the short term goals have been realized, the steps required to achieve the long term goals are as follows:

1. Increase lamb sales to the chain stores to approximately 1,000,000 pounds per year. To do so, fresh vacuum packed cuts would have to be offered on a year round basis at a price competitive with the U.S product.

2. Initiate sales of fresh lamb cuts to gourmet and ethnic restaurants to achieve a sales target of 100,000 pounds per year.

In total, there exists potential in the long term to increase annual sales of B.C. lamb to a level of approximately 2.5 million pounds. To meet this demand, however, production would have to be increased by about 31,000 lambs per year.

RECOMMENDATIONS

The sequence of steps required for the orderly development of the sheep industry in B.C. are as follows:

1. The costs of sheep production in B.C. must be reduced through greater productivity and improved management practices. The B.C. Ministry of Agriculture and Food should provide increased support for programs to educate existing and new sheep producers.

2. The production capacity of the industry must be increased through the attraction of more full time commercial sheep producers. In order to be competitive, future industry expansion should be encouraged where feed and other production costs are the lowest.

3. The B.C. Sheep and Wool Commission should undertake a more active role in the development and promotion of the sheep industry. A full time General Manager should be appointed to coordinate the supply of lambs and to facilitate industry expansion. The expenses incurred to employ a General Manager and undertake a market development program should be obtained from a levy on producers and financial assistance from the provincial and federal governments.

4. The slaughtering of lamb should be concentrated in only one or two plants in B.C. A more detailed study should be undertaken to determine the methods and equipment required to improve productivity and reduce slaughtering costs.

5. Processing facilities to break down the carcass and package lamb into selected cuts should be established.

6. A promotion program should be initiated by the B.C. Sheep and Wool Commission to increase lamb consumption. Assistance should be provided by the Marketing Branch of the B.C. Ministry of Agriculture and Food to develop point of sale materials and to undertake taste demonstration programs.

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I. METHOD OF STUDY

To determine the current state of the sheep industry, we have met with Dr. Steve Mason, Sheep Specialist, of the B.C. Ministry of Agriculture and Food to obtain the available statistics on the number of sheep and lambs produced and slaughtered in B.C. We have also reviewed the previous studies on the production and marketing methods used in other provinces of Canada in order to assess the relative size and significance of the industry in B.C.

To determine the demand for fresh and frozen lamb, we have conducted an extensive market research program consisting of about 85 interviews with representatives of the major retail chain stores, meat distributors, purveyors, importers, meat markets and restaurants. A list of the individual companies contacted is provided in Appendix 1 of the report. From each interview, we obtained information on the volume and type of lamb products purchased, the present sources of supply, purchasing criteria, and the opportunities available to increase sales of B.C. lamb. We also reviewed the study on the meat purchasing patterns of the hotel, restaurant and institutional (HRI) trade undertaken by the Marketing Research Branch of the B.C. Ministry of Agriculture and Food.

We have examined the marketing opportunities for other sheep products including mutton, wool, and pelts. Accordingly, we have contacted Mr. Bob Cleland of the Canadian Co-operative Wool Growers Ltd. in Carlton Place, Ontario to determine the trend in wool sales and the opportunities to increase the return to the producer. In addition, we have contacted spinnning guilds and craftsmen associations to determine alternate outlets for the wool produced in B.C.

To assess the demand for mutton, we have contacted some of the major meat processors in B.C. including the following:

- Fletcher's Fine Foods
- Vancouver Fancy Meats Co. Ltd.

- Freybe Sausage Manufacturing Ltd.
- B.C. Fancy Sausage Co. Ltd.
- Fleetwood Sausage Ltd.

We have also contacted the local tanneries and hide brokers to determine the current demand for sheep pelts.

To asses the capability of the B.C. sheep industry to meet the potential demand, we conducted about 30 interviews with sheep producers in each region of the province. From these interviews, we obtained information on the production, transportation, and marketing problems currently experienced by producers.

To evaluate the capacity of existing slaughtering facilities for sheep and lambs, we contacted the following federal inspected plants:

- Intercontinental Packers Ltd., Vancouver
- Richmond Packers Ltd., Richmond
- Lawrence Meat Packers Ltd., Dawson Creek
- Island Meat Packers Ltd., Victoria
- Coaspac Meat Ltd., Abbotsford
- J & L Meats Co. Ltd., Surrey
- E. Johnston Packers Ltd., Sardis
- Kohler's European Sausage Ltd., Aldergrove
- Scott's Meats Limited, Agassiz
- Pitt Meadows Meat Ltd., Pitt Meadows
- Victoria Farm Meats Ltd.

In addition, we have conducted telephone interviews with some of the larger provincially licenced abattoirs located in the non-inspected regions of B.C. As a result, we compiled information on the current volume of sheep and lamb handled by each plant, the maximum slaughter capacity and the current custom killing charges.

In order to resolve the current problems facing the industry, we have assisted in organizing a Lamb Marketing Seminar which was held in Richmond, B.C. on November 1, 1982. The seminar participants consisted of sheep producers, meat packers, purveyors, retailers and government representatives. We also recorded and edited the proceedings of the seminar which have been published under a separate cover.[1] To evaluate alternative marketing systems. we have also contacted the following representatives of sheep producers in other provinces:

- Mr. Will Verboven, Secretary Manager
  Alberta Sheep and Wool Commission
- Mr. Jim Koal, Manager
  Saskatchewan Sheep and Wool Marketing Commission
- Mr. R.C. Gordon, President
  Canada Sheep Council
- Mr. John Krauter
  Ontario Ministry of Agriculture and Food
- Mr. Brewster Kneen, Market Organizer
  Northumberland Lamb Marketing Co-op

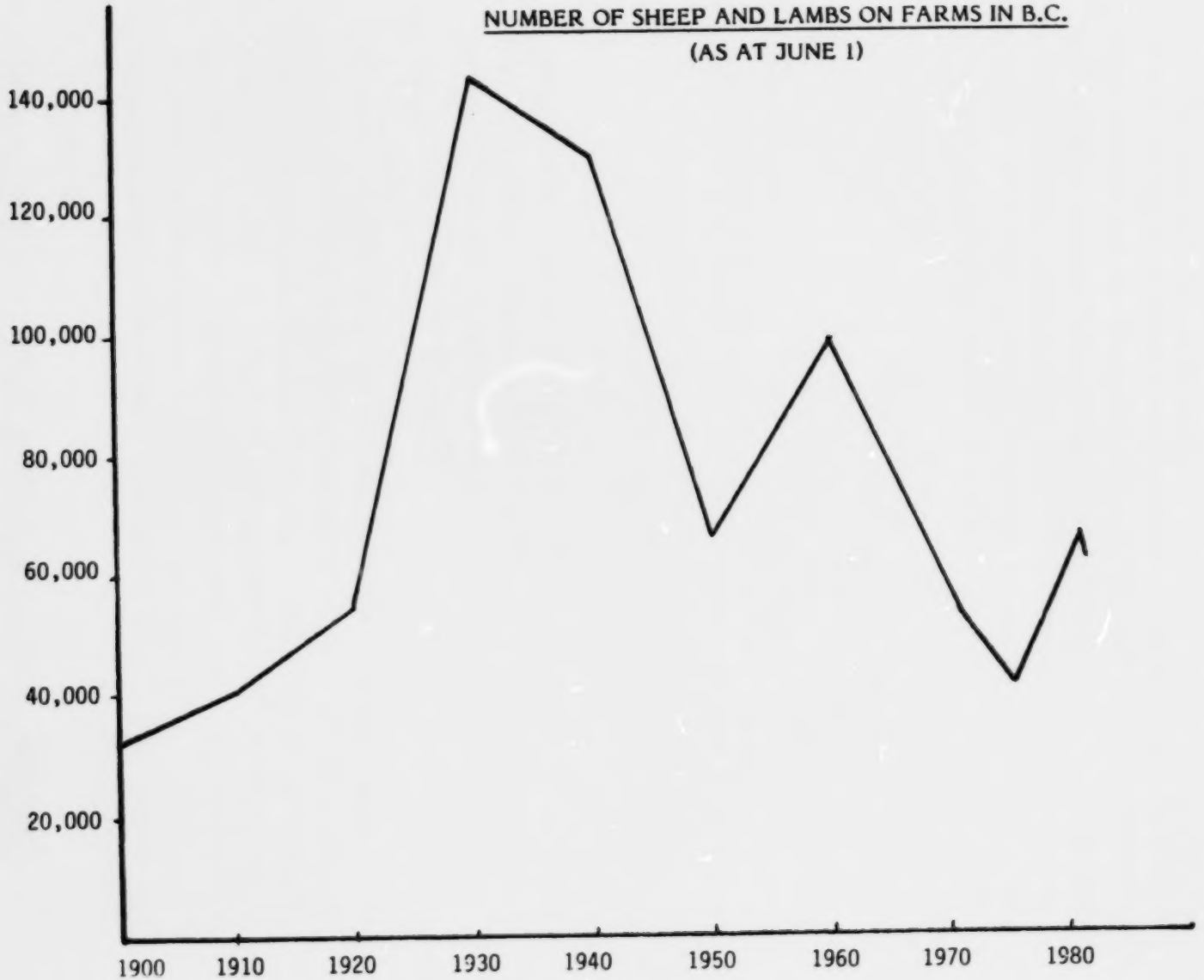
Based on our market research, we have determined the most promising options for industry development. In addition, we have developed a market strategy and an implementation plan to enable the local sheep industry to achieve its market potential.

Our findings regarding the current state of the sheep industry in B.C. are provided in the next chapter of the report. Chapter 3 contains our findings regarding the current demand for lamb and the marketing opportunities available to B.C. producers. Our analysis regarding the market potential for other sheep products such as mutton, wool and pelts is provided in Chapter 4. The last chapter of the report contains our conclusion and recommendations regarding the appropriate market strategy and the steps required for the further development of the sheep industry in B.C.

1. Proceedings of the Lamb Marketing Seminar: November 1, 1982 - Richmond, B.C. January, 1983 (Ed.) Don Ference & Associates Ltd. B.C. Ministry of Agriculture and Food: Victoria, B.C.

TABLE 1

NUMBER OF SHEEP AND LAMBS ON FARMS IN B.C.
(AS AT JUNE 1)



Source: Statistics Canada, Census of Agriculture

II. CURRENT STATE OF THE INDUSTRY

Our observations and findings regarding the current problems facing the sheep industry in B.C. are provided in the following paragraphs.

A. SIZE OF THE INDUSTRY

Sheep production was at one time a large and thriving industry in B.C. consisting of several commercial full time producers with flocks of 2,000 to 3,000 ewes. As shown in Table 1 on the opposite page, the industry peaked in June, 1930 when there were approximately 145,000 sheep and lambs on farms in B.C. The majority of these animals were raised in the interior and northern regions of the province where large expanses of range land were available and feed costs were low. The industry hit a record low in June 1, 1976 with a total sheep population of only 37,938. The decline of the sheep industry in B.C. closely parallels the Canadian sheep industry which peaked in 1930 and has declined steadily over the last fifty years.

Since 1976, however, the trend in B.C. has been reversed. According to the Census of Agriculture data, there were a total of 66,988 sheep and lambs on farms as at June 1, 1981, resulting in an increase of 77% since 1976. According to estimates prepared by Statistics Canada, the number of sheep and lambs has declined slightly since then as the total sheep population as at June 1, 1982 is estimated to be about 61,000.

The location of the major sheep flocks in the province has shifted from the northern and central parts of the province to the south coastal region immediately surrounding the major urban centres. As shown in Table 2 on the following page, the proportion of sheep produced in the Peace River and Central region has decreased from 41% of the provincial total in 1976 to 22% in 1981. On the other hand, the proportion of sheep in the Lower Mainland and Vancouver Island regions has increased from 35% in 1976 to 47% in 1981. The other major sheep producing areas in the province include the Okanagan and Thompson regions which collectively accounted for 22% of the total sheep flock in 1981.

TABLE 2

LOCATION OF SHEEP IN B.C.

Census Division	1976 Number of Sheep	1976 % of Total (%)	1981 Number of Sheep	1981 % of Total (%)	% Change (%)
Peace River	9,727	25.5	8,256	12.3	- 15
Central	5,828	15.4	6,312	9.4	+ 8
Cariboo	2,078	5.5	4,546	6.8	+119
Thompson	4,043	10.7	5,654	8.4	+ 40
Okanagan	2,477	6.5	9,145	13.7	+269
Kootenay	590	1.6	1,841	2.7	+212
Lower Mainland	5,692	15.0	12,985	19.4	+128
Vancouver Island	7,503	19.8	18,249	27.3	+143
TOTAL	37,938	100.0	66,988	100.0	+ 77

Source: Statistics Canada, Census of Agriculture

According to Dr. Steve Mason, the total B.C. production of sheep and lambs in 1981 is estimated to be 35,911, consisting of 3,228 sheep and 32,683 lambs. Of this total, 3,357 sheep and lambs were shipped to Alberta while 19 animals were exported to the United States. A total of 1,543 sheep and lambs were also imported into B.C. from the U.S. and Alberta. As a result, the number of animals slaughtered in B.C. in 1981 is calculated to be a total of 34,078.

The majority of sheep producers have very small flocks and do not rely on sheep as the sole source of income. According to the Census Canada data, sheep were raised on a total 1,590 farms in B.C. in 1981. As a result, the average flock size was only 42 sheep and lambs. As shown in Table 3 on the following page, there were only 11 farms in B.C. that had in excess of 528 sheep and lambs on their farms as at June 1, 1981. These larger producers were located mainly in the Peace River, Thompson and Vancouver Island regions.

Approximately 68% of the total sheep population in B.C. is owned by farmers with flocks ranging in size from 33 to 527 animals. These producers include the mixed farmer who relies on other livestock as the major source of income with sheep only as a secondary enterprise. Surrounding the major urban centres, there are also a number of part time producers who usually have less than 50 ewes and consider sheep raising primarily as a hobby. In most cases, the producer has a full time job and tends the flock only at night and on weekends. Due to the proximity to a large lamb market, the majority of the production from these part time producers is sold through the freezer/ethnic market which consists of direct sales to the consumer. The current British Columbia Meat Inspection Act makes it illegal, however, to sell lamb in a meat inspection area unless it has been killed in an inspected abattoir. The meat inspection areas comprise School District 59 surrounding Dawson Creek, Greater Vancouver and Fraser Valley west of Hope, and the Greater Victoria area (School Districts 61, 62 and 63).

A total of 141 farmers registered in 1981 under the Sheep Farm Income Insurance Plan administered by the B.C. Ministry of Agriculture and Food. To

TABLE 3

SIZE OF SHEEP FLOCKS IN B.C.
AS AT JUNE 1, 1981

Region	Flock Size					
	1 - 32	33 - 122	123 - 272	273 - 527	528+	Total
	(# of Producers)	(# of Producers)	(# of Producers)	(# of Producers)	(# of Producers)	(# of Producers)
Peace River	47	14	11	6	3	81
Central	103	31	6	2	2	144
Cariboo	97	26	6	1	1	131
Thompson	78	35	7	2	3	125
Okanagan	73	18	9	2	-	102
Kootenay	56	17	4	-	-	77
Lower Mainland	405	119	12	3	-	539
Vancouver Island	247	113	19	10	2	391
Total	1,106	373	74	26	11	1,590

Source: Statistics Canada, Census of Agriculture

subscribe to the plan, a minimum of 30 ewes is required and the producers receive indemnity payments from the B.C. Ministry of Agriculture and Food when the negotiated cost of production exceeds the market return. In 1981, payments were made under the Farm Income Insurance Plan for the sales of approximately 10,000 lambs, which represents about 30% of the total number of lambs produced in B.C. A description of the other industry support and development programs available is provided in Appendix 3.

The majority of lambs produced in B.C. are sold directly by the producer and are not handled by the meat packing industry. As shown in Table 4 on the following page, 19,120 or 56% of the total number of sheep and lambs were slaughtered by producers on the farm or by a contract butcher. Only 11,059 sheep and lambs were slaughtered in federal inspected plants of which 8,501 animals were purchased by the abattoir for sale to retail outlets such as grocery stores and meat markets.[2] The remaining 2,558 sheep and lambs were slaughtered by the federal inspected plants on a custom basis and the carcass was then sold by the producer to individual consumers or directly to retail outlets.

As shown in Table 4, 3,899 sheep and lambs were slaughtered in small licenced abattoirs located outside the federal meat inspection areas. Approximately 2,869 or 74% of these animals were killed on a custom basis and sold by the producer to the ethnic/freezer trade and retail outlets. Consequently, a total of 24,547 animals or 72% of the sheep and lambs slaughtered in B.C. in 1981 were sold directly by the producer.

The participation by the meat packers in the sheep industry is relatively minor at this time. The proportion of sheep and lambs slaughtered in federal inspected plants has also declined steadily over the last twenty years. As an illustration, a total of 62,442 lambs were killed in inspected plants in B.C. in 1960. During that year, there were only 49,000 lambs on farms as at June 1. As a result, the packing plants in B.C. killed almost all of the lambs produced in B.C. in 1960 and also imported a considerable number of live animals for slaughter in the off season.

2 Federal inspection includes full federal and federal-domestic (provincial) inspection.

TABLE 4

DISPOSITION OF SHEEP AND LAMBS SLAUGHTERED IN B.C. IN 1981

Type of Slaughtering Facility	Purchased By Abattoir	Custom Killed	Total
Federal Inspected Abattoirs	8,501	2,558	11,059
B.C. Licenced Abattoirs	1,030	2,869	3,899
On Farm Slaughter	-	19,120	19,120
TOTAL	9,531	24,547	34,078
% of TOTAL	28%	72%	100%

Source: Livestock Market Review, Agriculture Canada

B. PRODUCTION CONSTRAINTS

Our observations and findings regarding the major production constraints faced by the sheep producers in B.C. are as follows:

1. According to Dr. Steve Mason, the productivity of B.C. sheep producers is low averaging only 1.08 lambs marketed per ewe per year. This production rate is considerably lower than the potential of 1.7 to 1.9 lambs per ewe per year which can be achieved through better management practices. The major factors contributing to the low productivity include high mortality, lack of proper breeding stock and losses due to predators.

2. The production costs of producers are high due to a number of factors including small flock sizes, high land and feed costs, and unsophisticated management practices. The majority of the sheep producers lack sufficient land and equipment to supply their own feed and, in many cases, must purchase their hay and grain from Alberta or the U.S.

3. The revenue obtained from the sale of lambs to the meat packers is insufficient to cover negotiated production costs. The market return and negotiated production costs of B.C. producers, according to data compiled by the Farm Income Insurance Branch of the B.C. Ministry of Agriculture and Food, are provided in Table 5 on the following page. The production costs used by the Farm Income Insurance Branch are based on a "model" farm and may differ from current industry levels due to the scale of operation, age of farm assets, labour rates, and methods of financing. As indicated in Table 5, the average market return has decreased in 1981 to $1.52 per pound from $1.61 per pound in 1980 (dressed carcass weight basis). On the other hand, the cost of production in 1981 has increased to $2.23 per pound from $2.08 in 1980. The average market return for 1982 has not yet been calculated but does not appear to have changed significantly from the level achieved in 1981.

TABLE 5

SHEEP PRODUCTION COSTS AND MARKET RETURN
BASED ON DATA COMPILED BY THE FARM INCOME INSURANCE PLAN

Year	Market Return ($/lb. dressed)	Cost of Production ($/lb. dressed)	Indemnity Payment ($/lb. dressed)	Net Production Cost ($/lb. dressed)
1979	$ 1.60	$ 1.99	$ .195	$ 1.795
1980	1.61	2.08	.235	1.845
1981*	1.52	2.23	.355	1.875

Note: 1981 market return and production cost figures are net of transportation costs to allow an equal comparison with the 1979 and 1980 data.

Source: Farm Income Insurance Branch, B.C. Ministry of Agriculture and Food.

4. The majority of sheep producers in B.C. sell their lambs through private sales because the return is considerably higher ranging from $2.00 to $2.50 per pound in December, 1982 for a dressed carcass. As a comparison, the price paid by Victoria Farm Meats, Island Meats, and Richmond Packers during the latter part of 1982 ranged between $1.45 to $1.50 per pound for a dressed carcass. The price received by producers for lambs sold to Intercontinental Packers Ltd. in Vancouver and Lambco in Innisfail, Alberta during this period was even lower ranging from $1.20 to $1.35 per pound.

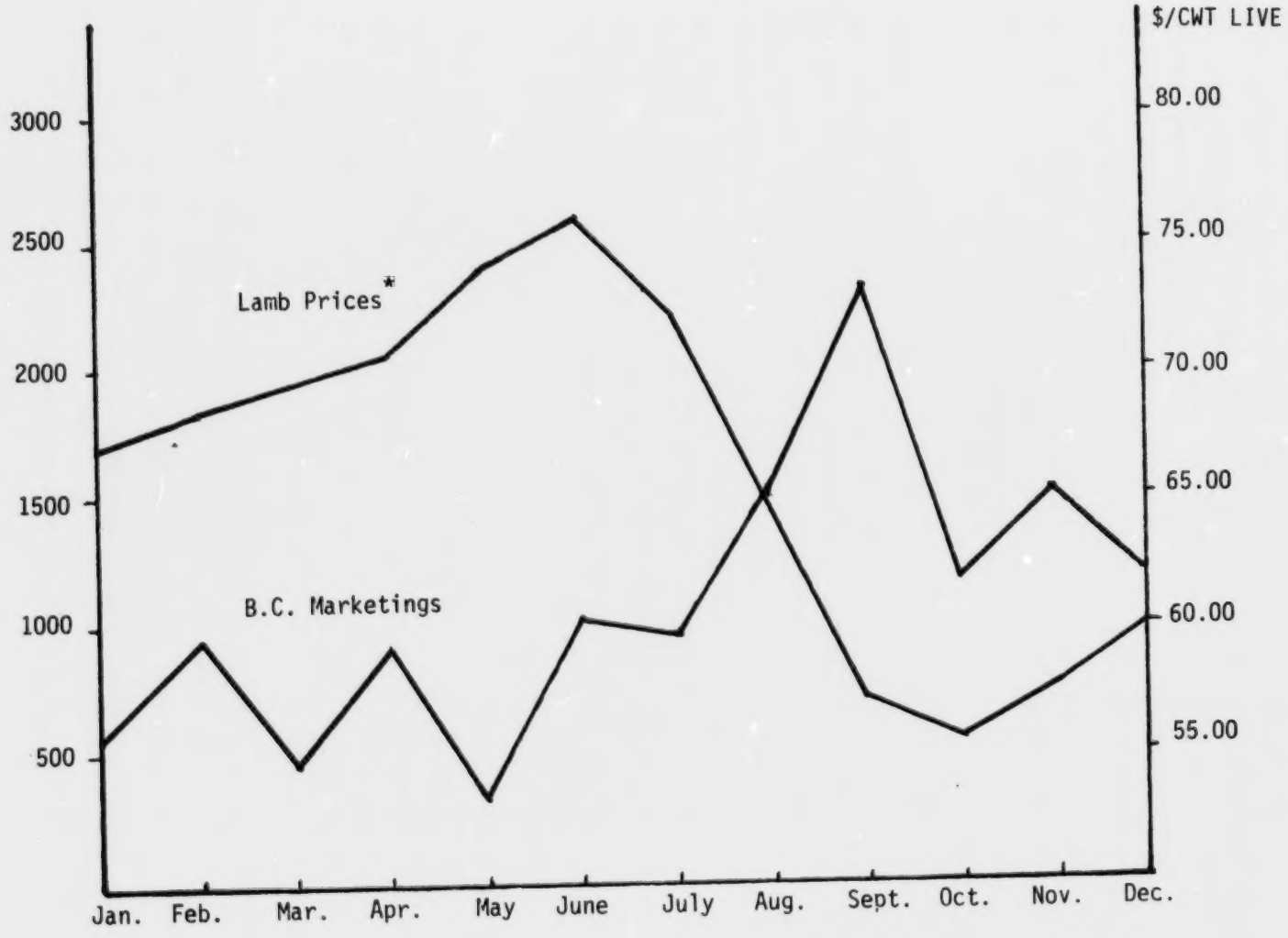
5. The revenue obtained by producers is also reduced because a majority of the lambs are marketed during the fall when prices are low. As shown in Table 6 on the following page, a premium price is paid by Lambco for lambs delivered during the period from January to August. Similarly, the price paid to producers for lambs delivered to the major meat packing plants in B.C. increased to about $1.65 to $1.75 per pound during the Easter season in 1982. However, as shown in Table 6, the majority of B.C. lambs were sold to packing plants during the period from September to December when prices were the lowest.

6. In those areas of B.C. where lambs can be raised at the most reasonable cost, the distance to market is a significant impediment to expanded production. As an illustration, the producers in the Peace River region currently pay $6 to $8 per head to ship animals to the Lambco plant in Innisfail.

7. Because of the small flock sizes, individual producers do not have sufficient lambs to make up a truck load quantity. By consolidating the loads of a number of producers, there exist opportunities to reduce shipping costs considerably.

TABLE 6

COMPARISON OF LAMB PRODUCTION VOLUMES AND MARKET PRICES IN 1981



* Monthly price range for lambs purchased by Lambco, Innisfail, Alberta

Source: Alberta Department of Agriculture and Livestock Market Review, Agriculture Canada

C. PROCESSING CONSTRAINTS

Our observations and findings regarding the lamb slaughtering facilities in B.C. are provided below:

1. Auction sales have not been effectively used as a mechanism for marketing lambs in B.C. Only 20% of the lambs slaughtered by the federal inspected plants were obtained through auction sales as the majority of animals were purchased directly from the producer. There are not enough lambs available at each sale and the sales are not held on a frequent enough basis for the meat packers to obtain a regular supply.

2. Due to the lack of an effective marketing system, the sales of lambs to the packing plants is conducted in a haphazard fashion. A breakdown of the number of lambs marketed from each region of B.C. is provided in Table 7 on the following page. Approximately 90% of the lambs shipped to Alberta from the Peace River region were delivered to the Edmonton Public Stockyards where the majority were then purchased by Lambco in Innisfail. The market return obtained could have been increased, however, by shipping these animals to packing plants in the Lower Mainland and Vancouver Island which paid 15¢ to 20¢ per pound more than Lambco. Furthermore, the Lambco plant has experienced difficulty in handling the total supply of lambs available in the fall months. Allowing for the additional shrinkage and transportation costs to ship to the south coastal region, the net benefit to producers in the Peace River area from shipping to southern B.C. is estimated to be in the range of 6¢ to 8¢ per pound of meat sold.

   A considerable number of lambs are also shipped from the central and interior region of B.C. to plants on Vancouver Island. Approximately 25% of these carcasses are then processed and transported back to meat markets in the Lower Mainland.

TABLE 7

NUMBER OF SHEEP AND LAMBS MARKETED
THROUGH FEDERAL INSPECTED PLANTS AND PUBLIC STOCKYARDS IN 1981

Region	Lambs	Sheep	Total	% of Total
Kootenay	-	-	-	-
Okanagan	2,488	75	2,563	19.9
Thompson	716	60	776	6.0
Lower Mainland	1,751	1,058	2,809	21.8
Vancouver Island	2,745	122	2,867	22.3
Cariboo	334	1	335	2.6
Central	484	82	566	4.4
Peace River	2,501	456	2,957	23.0
TOTAL	11,019	1,854	12,873	100.0

Source: Livestock Market Review, Agriculture Canada

3. The abattoirs in B.C. have experienced difficulty in obtaining a sufficient supply of lambs on a regular basis. Due to lack of a consistent supply, the local meat packers are not able to market lambs in an orderly fashion. As a result, B.C. lambs are currently sold by only four federal inspected plants in B.C. which are as follows:

- Victoria Farm Meats Ltd., Victoria
- Island Meat Packers Ltd., Victoria
- Richmond Packers Ltd., Richmond
- Intercontinental Packers Ltd., Vancouver

The lambs handled by the other federal inspected plants in B.C. are killed on a custom basis only for the producers. In 1981, the above four plants each slaughtered between 2,000 to 3,000 lambs. In 1982, the total slaughter volume in these plants decreased by about 9% resulting in a total kill of 9,863. The major decrease in lamb slaughterings has occurred in the plant operated by Intercontinental Packers Ltd. which, due to the lack of sufficient supply, killed only about 800 lambs in 1982.

4. We believe that there exists sufficient facilities for slaughtering lambs in B.C. Richmond Packers Ltd. and Victoria Farm Meats Ltd. have indicated that they would be willing to double their current slaughter volumes. Intercontinental Packers Ltd. have indicated that if a regular supply can be assured, they would be willing to slaughter up to 800 lambs per week which is equivalent to 42,000 lambs per year. In addition, Pitt Meadows Meats has recently constructed a federal domestic plant located in Pitt Meadows. Mr. Mino Kuiper of Pitt Meadows Meats has indicated that he also would be willing to custom kill lambs and could handle in excess of 100 lambs per day. To utiltize this facility, therefore, it would be necessary to obtain a contract with a meat distributor to market the product once it has been slaughtered.

Another alternative is to process the lamb produced in the Peace River at the federally inspected plant operated by Lawrence Meats Ltd. in Dawson Creek. Mr. Joe Lafond, General Manager of Lawrence Meats Ltd., has indicated that he would be interested in slaughtering on a custom basis, if a supply of 2,000 to 3,000 lambs per year could be assured. The dressed carcasses could then be shipped in refrigerated containers to the Lower Mainland for sale by meat distributors. The advantage of killing the lambs in the Peace River area is that the losses due to shrinkage would be eliminated and the shipping costs reduced.

5. The lambs slaughtered by the packing plants in B.C. are currently sold in the form of whole carcasses. At the present time, there do not exist any facilities for breaking down the carcass and marketing selected lamb cuts.

6. Due to the lack of sufficient volume, the custom killing charges of federal inspected plants are high. As an illustration, the current killing charges in the Lower Mainland range between $20 and $30 per head. To obtain a sufficient return from farm gate sales, the sheep producers in meat inspection areas often choose to slaughter lambs on their farms. As a result, it is difficult to assure that minimum health and sanitary conditions are maintained. Furthermore, the British Columbia Meat Inspection Act makes it illegal to sell lamb in a meat inspection area unless it has been killed in an inspected abattoir.

7. The abattoirs handling lamb in B.C. are multi-specie plants and do not contain specialized equipment for slaughtering lamb. As a result, the killing operation is labour intensive. The slaughtering costs in federal inspected plants are also increased due to small slaughter runs and high clean up costs. If a sufficient volume of lambs were obtained, however, specialized equipment could be installed to improve productivity and reduce slaughtering expenses.

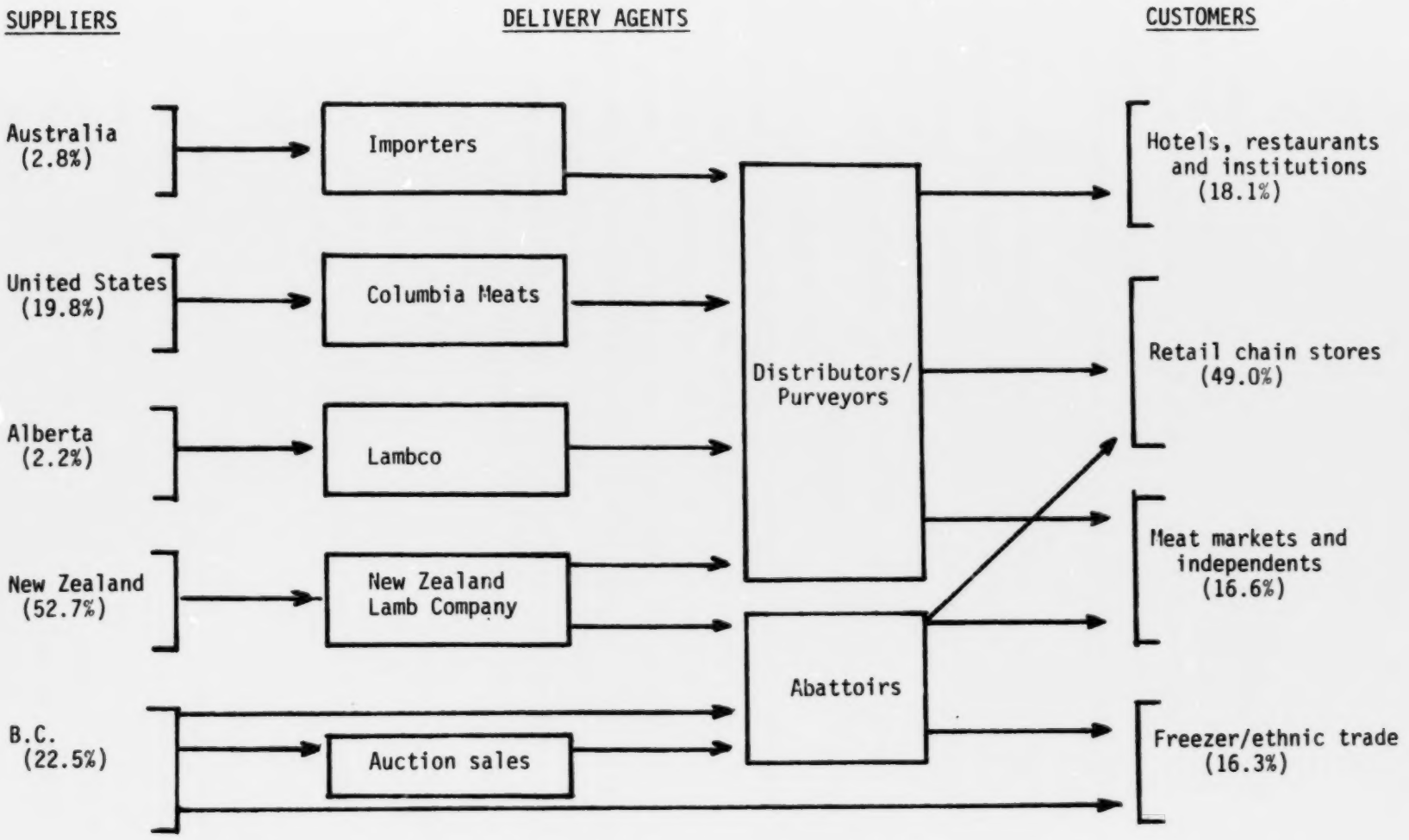
8. The quality of lambs delivered to the packing plants is inconsistent. In order to make up a truck load, producers often send a wide variety of lambs. The meat packers have indicated that some producers tend to retain their higher quality lambs for private sales while only lower quality animals are sold to the slaughtering plants.

9. Furthermore, the grading standards developed for lamb are not used by the meat packers to differentiate the quality of the meat sold. As a result, it is difficult for the retailers to order or obtain lamb of a specific size and quality. Further work is required, therefore, to develop grade standards which can be uniformly applied by producers, slaughtering plants, and retailers.

10. Due to the lack of commercial lamb feedlots in B.C., there do not exist established outlets for feeder lambs. These animals are instead sold to the meat packers or marketed through the auction sales. We feel that the establishment of commercial lamb feedlots is an integral and necessary part of the development of the sheep industry of B.C. The functions performed by the feedlots are to provide a supply of lambs during the winter months and to provide an outlet for producers who are capable of raising only feeder lambs.

TABLE 8

B.C. LAMB DISTRIBUTION CHANNELS IN 1981



Total: 5,690,000 pounds

Source: Don Ference & Associates Ltd.

III. MARKETING OPPORTUNITIES FOR B.C. LAMB

Our observations and findings regarding the market potential for lamb produced in B.C. are provided in the following paragraphs.

A. DEMAND FOR LAMB

As shown in Table 8 on the opposite page, the total volume of lamb consumed in B.C. in 1981 is estimated to be about 5.7 million pounds which is the equivalent of 150,000 carcasses[3] per year. The wholesale value of the lamb market in B.C. in 1981 was approximately $10.5 million. Of the total sales volume, frozen lamb accounted for about 54% of the market and fresh lamb, 46%. The B.C. sheep producers supplied about 1.28 million pounds or 22.5% of the market resulting in a total revenue of about $2.5 million.

Based on our calculations, the per capita disappearance of lamb in B.C. in 1981 is estimated to be about 2.1 pounds. As a comparison, the per capita disappearance of lamb for Canada, as a whole, is estimated to be about 1.44.[3] As a result, the B.C. lamb market is relatively strong containing a greater proportion of lamb consumers than in other parts of Canada. As shown in Table 9 on the following page, Vancouver families are the third highest consumers of lamb in Canada, with an average annual consumption of 3.95 pounds per family. The highest consumers of lamb are Toronto and Ottawa families which consumed an average of 7.49 pounds and 4.94 pounds, respectively.

The consumption of lamb, however, is considerably lower than other red meats, as lamb is not yet a regular part of the Canadian diet. The major consumers of lamb currently are people of ethnic backgrounds such as the British, Greeks, Italians, Portugese, and East Indians. In 1981, lamb and mutton

[3] Based on an average carcass size of 32 pounds for New Zealand and Australian lamb, 52 pounds for U.S. lamb and 40.8 pounds for Alberta and B.C. lamb.

TABLE 9

ANNUAL CONSUMPTION OF LAMB AND MUTTON BY FAMILIES IN MAJOR URBAN CENTRES

	Pounds/Year
Toronto	7.49
Ottawa	4.94
Vancouver	3.95
Montreal	3.85
Calgary	3.48
Halifax	2.50
Quebec	1.72
Edmonton	1.35

Source: Survey of Family Food Expenditures, 1978.

accounted for only .9% of the total meat consumed in Canada as shown below:

PER CAPITA MEAT CONSUMPTION
IN CANADA IN 1981

Meat	Per Capita Consumption (pounds)	% of Total
Beef	90.2	54.8%
Pork	69.4	42.2%
Veal	3.4	2.1%
Lamb and Mutton	1.5	.9%
	164.5	100%

Source: Statistics Canada, Cat. No. 23-203

B. MAJOR LAMB SUPPLIERS

A description of the types of products and marketing methods used by the major lamb suppliers to the B.C. market is provided below:

1. New Zealand

Approximately 3 million pounds or 52.7% of the total volume of lamb consumed in B.C. in 1981 was imported from New Zealand. In 1982, however, the total sales of New Zealand lamb in B.C. are projected to decline by 20% to approximately 2.4 million pounds.

Approximately 95% of the New Zealand lamb imported into B.C. is in the form of frozen selected cuts while the remainder consists of frozen carcasses. The different primal cuts offered in B.C. include the following: legs, racks, shoulders, loins, and shanks. In addition, New Zealand lamb is available in consumer size portions such as frozen loin chops. The cuts of New Zealand lamb sold in B.C. are processed from carcasses weighing between 29 and 36 pounds. The size of the whole frozen carcasses, on the other hand, ranges between 19 and 26 pounds. These carcasses are sold primarily to meat markets, ship chandlers, and industrial camps.

New Zealand lamb is presently imported duty free into Canada. The New Zealand Lamb Company is the exclusive distributor of New Zealand lamb in Canada. The product sold in western Canada is shipped in container load quantities to Vancouver and then transported to cold storage warehouses located in major urban centres. In B.C., the New Zealand Lamb Company deals with a relatively small number of distributors who then supply the product to the food industry.

The selling prices of lamb products offered by the New Zealand Lamb Company to its distributors, as at December, 1982, are provided below:

NEW ZEALAND FROZEN LAMB PRICES TO VANCOUVER WHOLESALERS AS AT DECEMBER, 1982

Product	Price Per Pound ($ Cdn)
Carcass (19 - 26 pounds)	$ 1.59
Leg	2.08
Rack	3.45
Shoulder	1.28
Loin	1.99
Shank	1.15

Source: Don Ference & Associates Ltd.

2. United States

In 1981, the volume of lamb imported from the United States and sold in B.C. was approximately 1.12 million pounds which accounted for about 19.8% of the total B.C. market. In 1982, the sales of U.S. lamb in B.C. are projected to increase about 25% to a level of 1.4 million pounds. Approximately one half of the U.S. lamb sold in B.C. consists of whole fresh carcasses ranging in size from 48 to 55 pounds. The balance of sales consist of fresh primal cuts including racks, shoulders, legs, and loins. The

cuts are vacuum packed in plastic and stacked in cardboard boxes for ease of handling. By offering the lamb in vacuum packed containers, the shelf life is extended to between 14 to 21 days.

The U.S. lamb is imported into B.C. by Columbia Meats Ltd. which is a subsidiary of Superior Packing Co., located in Ellensburg, Washington. Superior Packing Co. is one of the largest processors of lamb in the United States and currently slaughters approximately 800,000 lambs per year in its two plants located in Dixon, California and Ellensburg, Washington. The company also operates a 30,000 head feedlot in Hermiston, Oregon to ensure sufficient volume of lambs for its plants. Columbia Meats Ltd. deals directly with meat distributors, food wholesalers, purveyors and meat packers who sell their lamb to the food industry.

The approximate selling prices established for U.S. lamb, as at December, 1982, are as follows:

U.S. FRESH LAMB PRICES TO VANCOUVER WHOLESALERS
AS AT DECEMBER, 1982

Product	Price Per Pound ($ Cdn)
Carcass (48 - 55 pounds)	$1.69 - $1.73
Leg	$2.59 - $2.69
Rack	$2.90 - $3.30
Shoulder	$1.59
Loin	$3.55

Source: Don Ference & Associates Ltd.

As indicated above, the price of of U.S. fresh lamb cuts is higher than New Zealand lamb cuts except for the lamb racks. The U.S. cuts are also considerably larger than the New Zealand portions due to the larger carcass weights of the U.S. lambs.

The duty paid to bring U.S. lamb into Canada is 4.9¢ per pound in 1982, but will be gradually reduced to 3.0¢ per pound by 1987.

3. Australia

In 1981, approximately 160,000 pounds of Australian lamb were sold in B.C. resulting in a market share of 2.8%. Approximately 70% of this lamb was sold in the form of frozen cuts while the balance consisted of fresh carcasses and selected cuts. The major importer of Australian lamb into B.C. is the Emcee Trading Co. Ltd. located in Vancouver. The duty paid on Australian lamb is currently .5¢ per pound for both the fresh and frozen product.

The selling price of Australian frozen and fresh lamb is very competitive with the New Zealand product. However, the chain stores and food wholesalers that we contacted indicated that the major drawbacks to the Australian lamb are poor quality and the lack of a consistent supply.

In 1982, the volume of lamb imported from Australia is projected to increase to approximately 250,000 pounds due to recent agreements by Woodwards to air freight chilled carcasses to B.C. The Australian lamb purchased by Woodwards is intended primarily for promotional purposes in the fall when sufficient supplies of Australian fresh lamb can be obtained.

4. Alberta

The Alberta lamb sold in B.C. is slaughtered by Lambco located in Innisfail, Alberta. In 1981, Lambco sold approximately 125,000 pounds of lamb in B.C. which constituted 2.2% of the total market. In 1982, sales of Alberta lamb in B.C. are projected to increase to a level of about 200,000 pounds due to greater penetration of the chain store market.

The plant owned by Lambco in Innisfail is the largest lamb slaughtering plant in Canada. In 1981, approximately 57,000 lambs were slaughtered by Lambco and the majority of these lambs were raised in Alberta. In order to obtain sufficient product in the off season, however, Lambco also imports live sheep and dressed carcasses from the Superior Packing Co. in Ellensburg, Washington.

The products offered by Lambco in B.C. include fresh lamb in whole carcasses and the following primal cuts: legs, saddles, and shoulders. The selling prices of Lambco products range from 5¢ to 10¢ per pound higher than fresh U.S. lamb. As a result, it has been difficult for the company to obtain a substantial share of the B.C. market.

5. British Columbia

The lamb production in B.C. in 1981 is estimated to be 1.28 million pounds or 22.5% of the total market. As mentioned previously, the majority of the local product is sold to the freezer/ethnic trade at prices ranging from $2.00 to $2.50 per pound. The wholesale price of the B.C. lamb sold to chain stores and meat markets varied from a high of $2.10 - $2.30 per pound during the Easter period to a low of $1.90 to $1.95 per pound during the fall. As a comparison, the wholesale price of U.S. carcasses during the fall of 1982 ranged from $1.85 to $1.90 per pound. Consequently, the local abattoirs were able to obtain a slight premium of about 5¢ per pound for the lamb produced in B.C.

C. MAJOR MARKETS FOR LAMB

Four major customers of lamb exist - retail chain stores; meat markets and independents; hotels, restaurants and institutions; and the freezer/ethnic trade. Our observations and findings regarding the purchasing patterns and the

TABLE 10

MARKET FOR LAMB IN B.C. IN 1981

(Pounds)

Market Segment	New Zealand	United States	Alberta	Australia	B.C.	Total
Hotels, Restaurants, and Institutions	895,000	125,000	10,000	-	-	1,030,000
Chain Stores	1,655,000	750,000	90,000	135,000	160,000	2,790,000
Meat Markets and Independents	450,000	250,000	25,000	25,000	190,000	940,000
Freezer/Ethnic	-	-	-	-	930,000	930,000
TOTAL	3,000,000	1,125,000	125,000	160,000	1,280,000	5,690,000
% of Total	52.7%	19.8%	2.2%	2.8%	22.5	100.0%

Source: Don Ference & Associates Ltd.

opportunities to increase sales of B.C. lamb for each of these market segments are outlined below:

Grocery Chain Stores

1. A breakdown of the volume of lamb consumed by each segment of the B.C. lamb market is provided in Table 10 on the opposite page. As indicated, the retail chain stores constitute the largest market segment accounting for about 2.79 million pounds or 49% of the total lamb sold in B.C. in 1981. The majority of this lamb was marketed by the following four chains: Safeway, Super Valu, Woodwards, and Overwaitea.

2. As shown in Table 10, about 59% of the lamb purchased by chain stores in 1981 consisted of frozen lamb cuts obtained from New Zealand. Another 27% of the lamb sold consisted of fresh lamb supplied from the U.S. The volume of fresh lamb supplied to the chain stores by B.C. producers is estimated to be approximately 160,000 pounds or 6% of their total requirements. The remaining lamb sold in the chain stores consisted of fresh lamb from Alberta (3%) and fresh and frozen product from Australia (5%).

3. There exists a trend towards greater use of fresh rather than frozen lamb in the chain stores. Due to increased promotion by Columbia Meats Ltd., the volume of U.S. fresh lamb sold in B.C. chain stores in 1982 is projected to increase significantly while sales of New Zealand frozen lamb are projected to decline. In addition, the sales of fresh Australian and Albertan lamb are projected to increase slightly in 1982. As a result, the proportion of fresh lamb sold in the chain stores is estimated to increase from 38% in 1981 to approximately 52% in 1982.

4. The representatives of the chain stores contacted indicated that the volume of fresh lamb sold in B.C. could be further increased by at least 50% if a comprehensive market development program were initiated. The marketing methods that should be used to promote lamb include advertisement features, point of sale material (e.g. lamb recipes and displays) and taste demonstrations.

5. There exists a trend towards the greater use of selected cuts rather than hanging carcasses in the chain stores. The major advantages of using boxed lamb cuts are as follows:

    a. The vacuum packaged cuts have a considerably longer shelf life than fresh lamb.

    b. Some of the newer chain stores are not equipped with rails to handle carcasses.

    c. The boxes of lamb cuts can be stacked on pallets and handled more economically than hanging carcasses.

    d. The chain stores have the flexibility to purchase only the cuts demanded by their clientele. As an illustration, some stores in the lower income neighbourhoods sell primarily shoulders while stores in the more affluent districts sell primarily legs and loin chops.

    e. The chain stores have experienced considerable problems in merchandizing the residual cuts such as the necks and breasts that are obtained from breaking down a carcass.

    f. Due to high labour rates, the costs of cutting a lamb carcass at the retail store level are high.

6. The major cuts sold by the chain stores included loins, legs and shoulders.

7. The size of lamb carcass preferred is in the range of 45 to 50 pounds.

8. The demand for lamb by consumers is relatively stable throughout the year and only small peaks in sales occur during the Easter period and the fall. In the last few years, the use of lamb for barbeques has increased substantially creating a good demand during the summer months.

9. A comparison of the prices of fresh and frozen lamb sold by the chain stores in the Lower Mainland during December, 1982 is provided below:

RETAIL SELLING PRICES OF LAMB
BY CHAIN STORES IN THE LOWER MAINLAND
AS AT DECEMBER, 1982

Cut	Frozen (per pound)	Fresh (per pound)
Leg	$2.99 - $3.29	$3.99 - $4.49
Shoulder Chop	$2.39 - $2.69	$3.19 - $3.59
Loin Chop	$3.39 - $3.89	$5.99 - $6.89

Source: Don Ference & Associates Ltd.

As indicated above, a considerable premium is charged for fresh lamb especially for the loin chops and leg roasts.

10. The representatives of the chain stores contacted would be willing to support the sales of fresh B.C. lamb if a regular source of supply could be assured. The product could initially be supplied in carcass form and promoted on a seasonal basis. The majority of lamb sold in

the 1930's and 1940's was also sold on a seasonal basis. A common "Alpine lamb" logo was adopted by B.C. producers and proved highly successful in promoting the seasonal availability of the local product. However, to obtain a substantial share of the current market, it would be necessary to offer vacuum packed lamb cuts and provide the product on a year round basis. Furthermore, the price of the B.C. lamb would have to be competitive with the fresh lamb available from the United States.

In summary, we feel that there exists potential to increase the volume of fresh B.C. lamb sold in the chain stores to a range of 800,000 to 1,000,000 pounds per year. To achieve this volume, a regular supply of lamb in whole carcasses and selected cuts would have to be offered at a price competitive to the U.S. product. Furthermore, a comprehensive market development program would have to be initiated to promote the quality of B.C. lamb and the availability of the local product.

Hotels, Restaurants and Institutions

Our observations and findings regarding the marketing opportunities for B.C. lamb in hotels, restaurants and institutions are as follows:

1. The hotel, restaurant and institutional (HRI) trade consumed about 18% of the total lamb sold in B.C. in 1981. The HRI trade is extremely diverse as there are between 2,000 to 3,000 food service outlets in B.C. and range from the gourmet restaurants to the cafeterias in penal institutions.

2. Approximately 87% of the lamb used by the HRI trade in 1981 consisted of frozen cuts imported from New Zealand. The advantages of New Zealand lamb include consistency of quality and uniformity of size. Because the product is frozen, it can be stored for long periods and the losses due to spoilage are minimal.

3. In the last year, however, a number of meat purveyors that distribute to the HRI trade have been test marketing fresh U.S. lamb racks. Consequently, a number of restaurants and hotels have started to use U.S. racks on a regular basis since the product is cheaper and can be purchased fresh. The major drawback, however, to the U.S. products is that the racks are too large and individual portions are expensive. As a result, the New Zealand lamb is likely to retain a substantial portion of the HRI market.

4. Due to the lack of selected cuts, the volume of B.C. lamb sold to the HRI trade is minimal. The meat purveyors that we contacted prefer to purchase lamb in selected cuts as they are not equipped to break down the carcass. Furthermore, since racks constitute the major cut used by the HRI trade, they would have difficulty in merchandising the balance of the carcass.

5. Racks accounted for about 60% of the cuts used by the HRI trade while smaller quantities of legs, loins, and shoulders were also used. The meat purveyors processed about 20% of the lamb purchased into individual portions (eg. loin chops) which were sold primarily to the gourmet restaurants.

6. The major users of lamb in the HRI trade are the gourmet and ethnic restaurants. Among the gourmet restaurants, lamb is viewed as an essential item and the major cuts used include racks and loins. Quality and consistent supply are viewed as the two primary purchasing criteria. For the ethnic restaurants, price is the most important criterion and the major cuts used include racks, shoulders and legs.

7. The use of lamb by the medium priced restaurants and institutions is limited due to the relatively high price of lamb. However, there exists potential to sell the residual lamb cuts to this market by

TABLE 11

NUTRITIVE VALUE OF RED MEATS

	Protein (%)	Fat (%)	Cholesterol (%)
Lamb	25.3	18.9	.065
Beef	23.6	27.3	.070
Pork	23.0	30.6	.070

Source: B.C. Ministry of Agriculture and Food

offering items such as ground lamb for soup bases and sauces, stewing chunks, and boned out fronts for cutlets.

8. A significant proportion of the lamb used by the HRI trade is for banquets especially during the fall. This market could serve as a good vehicle for initiating sales of B.C. lamb to the HRI trade as a seasonal supply could be tolerated.

9. Overall, however, the demand for lamb in the HRI trade is quite stable throughout the year with minor peaks occurring during the Easter and Christmas periods.

10. There exists considerable potential to increase the current sales of lamb to the HRI trade. The advantages of lamb as a menu item are several including the following:

    a. Lamb adds variety to the menu and enhances the image of the restaurant.

    b. Lamb is a very nutritious meat. As shown on Table 11 on the opposite page, lamb is lower in chloresterol and fat content, but higher in protein than beef or pork.

    c. Lamb is consistently tender and does not have to be marinated before cooking.

    d. The cooking yield of lamb is high.

    e. Lamb has an exotic gourmet appeal and has good plate presentation characteristics.

11. The quality image of B.C. lamb in the HRI trade is high. As a result, the meat purveyors have indicated that they would be very willing to

handle B.C. lamb if a regular supply of selected cuts could be provided.

In order to cater to the HRI market, sheep production would first have to be increased substantially in order to supply sufficient volume of lamb racks of a consistent size and quality. As an illustration, the racks on a 35 pound carcass weigh approximately 4 pounds constituting only 11% of the total meat available from a dressed lamb. In order to supply the HRI trade in B.C. which consumes approximately 600,000 pounds of lamb racks per year, the production level of B.C. producers would first have to be increased to about 150,000 lambs per year. As shown previously, the total B.C. market consumed only 150,000 carcasses in 1981. Consequently, the B.C. producers would have to capture the entire frozen and fresh lamb market before sufficient racks would be available for the HRI trade. Therefore, we do not feel that this segment is an immediate market to be attempted by B.C. producers and should be developed only over a longer period as a means of selling the racks and other cuts not required by the grocery chain stores.

Meat Markets and Independents

Our observations and findings regarding the demand for lamb in the meat markets and independent retail stores are as follows:

1. The volume of lamb sold by meat markets and independents in 1981 is estimated to be a total of 940,000 pounds which is about 16.6% of the B.C. market. Of the total sales, 49% was fresh lamb while the balance consisted of frozen cuts of New Zealand and Australian lamb.

2. The U.S. was the major supplier of fresh lamb to the meat markets and independents in 1981 and the total sales volume achieved was approximately 250,000 pounds. The other major supplier of fresh product was the B.C. sheep producers with sales of about 190,000 pounds.

3. Almost all of the fresh lamb purchased by meat markets is in the form of hanging carcasses rather than selected cuts. The most popular frozen cuts included shoulders, legs and loins.

4. The meat markets contacted prefer to purchase a relatively small carcass as shown below:

SIZE OF LAMB CARCASS PREFERRED
BY MEAT MARKETS AND INDEPENDENTS

Carcass Weight	% of Responses
Less than 30 pounds	38%
30 - 40 pounds	33
40 - 50 pounds	25
Greater than 50 pounds	4
TOTAL	100%

Source: Don Ference & Associates Ltd.

As indicated above, 71% of the meat markets contacted prefer a carcass weight of 40 pounds or less.

5. The meat markets and independents indicated a preference for B.C. lamb if a regular supply could be obtained. The quality of B.C. lamb is considered superior to competitive products. Furthermore, some of the meat markets contacted felt that the U.S. lamb was too large to satisfy their customers' requirements.

6. The approximate selling prices of the fresh and frozen lamb sold by the meat markets in the Lower Mainland in December, 1982 is as follows:

RETAIL SELLING PRICES OF LAMB
BY MEAT MARKETS IN THE LOWER MAINLAND
AS AT DECEMBER, 1982

	Frozen Lamb ($ per pound)	Fresh Lamb ($ per pound)
Leg	$2.99 - $3.99	$3.99 - $4.99
Loin	$2.99 - $3.99	$4.99 - $7.99
Shoulder	$1.92 - $2.99	$2.49 - $3.49

Source: Don Ference & Associates Ltd.

As indicated above, a considerable premium for fresh lamb was charged especially for the leg and loin cuts sold. The meat markets that we contacted did not feel that frozen lamb could be substituted for a fresh product. They also felt that sales of fresh lamb could be increased considerably if a greater supply of smaller carcasses could be provided.

7. A number of the meat markets serving clients of European and East Indian descent prefer to purchase the innards of the lamb (heart, liver, gonads, intestines, stomach, etc.) with the carcass. At the present time, however, the majority of the meat packers discard these items during slaughter. To increase revenue these edible items should be retained and marketed through the meat markets in B.C.

If a regular and consistent supply of B.C. lamb were provided, we feel that there exists potential to increase sales of local lamb from 190,000 pounds to a level of 300,000 to 350,000 pounds per year. This market is an attractive one for the B.C. sheep producers as they can obtain a slight premium in price by supplying a higher quality product. Furthermore, the meat markets and independents could serve as a useful outlet for the undersize lambs not desired by the chain stores.

TABLE 12

LOCATION OF EWES IN B.C.
AS AT JUNE, 1981

Source: B.C. Ministry of Agriculture and Food

Freezer / Ethnic Market

The freezer/ethnic market includes the lamb sold directly by the producer to the consumer. As defined, freezer/ethnic does not include sales to ethnics through retail or HRI outlets. Our observations and findings regarding the market potential of the freezer/ethnic trade are provided below:

1. In 1981, the total volume of lamb consumed by the freezer/ethnic trade is estimated to be about 930,000 pounds which is 16.3% of the B.C. market. This segment was almost exclusively supplied by the local sheep producers.

2. A map showing the location of ewes throughout the province in 1981 is provided Table 11 on the opposite page. As indicated, the majority of the sheep flocks in B.C. are concentrated near the major urban centres in the Lower Mainland, Vancouver Island, and the Okanagan. As a result, the producers in these areas have ready access to a large freezer/ethnic market and have experienced little difficulty in selling their product.

3. The majority of the lamb marketed to the freezer/ethnic trade is sold in the form of cut and wrapped carcasses. Approximately one quarter of the total sales, however, consists of light lambs desired by the Greeks, Italians, Portugese, and East Indians. In these cases, the lamb is often sold live and the consumer is responsible for the slaughtering of the animal.

4. Only 19% of the lambs sold to the freezer/ethnic trade were slaughtered in federal inspected plants or B.C. licenced abattoirs. The remaining animals were slaughtered by the producer on the farm or by a contract butcher. The high proportion of on-farm slaughter

makes it difficult to provide a consistent quality and to ensure that minimum health standards are maintained. The incidence of a few consumer complaints about the poor quality of B.C. lamb could severely disrupt the market for all producers. As a result, we feel that it is essential that the lamb sold to the freezer/ethnic trade be killed at a meat packing plant. The Lower Mainland Sheep Producers Association, in an attempt to regulate sales, has recently agreed that lamb sold directly by producers should be government inspected and approved.

5. There exists opportunities to reduce the current custom killing charges if the slaughtering of lambs in each region were concentrated in one plant. As an illustration, Pitt Meadows Meat have indicated that if a sufficient volume of lambs were obtained, they would be willing to slaughter lambs on a custom basis for $15 per head. This rate is considerably lower than the current killing charges which range from $20 to $30 per head for other plants in the Lower Mainland.

6. We feel that there exists some potential to increase the volume of lamb consumed by the freezer/ethnic trade. To achieve this market potential, however, we feel that all lambs should be slaughtered in inspected or licenced plants. As a result, it would be possible to guarantee a high level of quality and to develop a more organized marketing system. A common logo promoting "B.C. Lamb" should be developed in order that it can be used by all producers and advertising at the provincial level could be undertaken. Furthermore, a list of producers in each region could be printed and distributed to potential customers.

In summary, the freezer/ethnic trade is an important market for the B.C. sheep producers located near major urban centres. By developing a more coordinated marketing and promoting program, we feel that the present sales volume could be increased by 20% to a level of approximately 1.1 million pounds per year.

The drawbacks to the freezer/ethnic trade, however, are that it is too time consuming for large producers to market their lambs individually. Furthermore, this market is not accessible to producers in the interior and northern parts of the province. As a result, we feel that the freezer/ethnic market has limited potential as a means of substantially expanding the size of the sheep industry in B.C.

TABLE 13

MUTTON IMPORTS THROUGH B.C. PORTS

(IN 000's POUNDS)

Year	Australia	New Zealand	Total
1979	4,029.0	162.0	4,191.0
1980	703.5	36.0	739.5
1981	140.0	-	140.0

Source: Statistics Canada, Cat. No. 23-203

IV. MARKETING OPPORTUNITIES FOR OTHER SHEEP PRODUCTS

Our observations and findings regarding the market potential for other sheep products are provided in the following paragraphs.

A. MUTTON

Mutton is used primarily as a filler in the manufacture of processed meats such as bologna, sausages, etc. The majority of the mutton used in B.C. is imported from Australia and the price paid is currently about 88¢ per pound. The amount of mutton supplied by the local sheep producers is minimal amounting to less than 100 carcasses per year.

The mutton used by the meat processors in B.C. had declined dramatically over the last three years as shown in Table 13 on the opposite page. The major factor contributing to the decline in volume is that the imported mutton has increased in price and is no longer competitive with the residual cuts of beef and pork available locally. Due to the lack of demand, we feel that the market potential for locally produced mutton is limited.

B. WOOL

One of the major outlets for the wool produced in B.C. is the Canadian Co-operative Wool Growers Ltd. (C.C.W.G.) located in Carlton Place, Ontario. The B.C. Sheep Breeders' Co-operative Association acts as an agent for the Canadian Cooperative Wool Growers Ltd. by collecting the wool from individual growers and shipping it to the C.C.W.G. depot in Lethbridge, Alberta.

The raw wool collected by the C.C.W.G. is sold in the grease form which must then be scoured and carded before it can be used by the textile industry. Due to the lack of sufficient scouring and washing facilities in Canada, about 70% of the wool collected by C.C.W.G. is sold in grease form to the United States and to the U.K. Furthermore, due to the lack of local scouring facilities, the Canadian

textile industry must import about 95% of its processed wool requirements. The wool can be imported duty free into Canada at a competitive price and to the specifications of the purchaser.

The average return obtained by B.C. producers for wool sold by the C.C.W.G. has declined dramatically over the last four years as shown below:

B.C. WOOL SHIPMENTS
TO THE CANADIAN CO-OPERATIVE WOOL GROWERS LTD.

Year	Approximate Volume (pounds)	Average Return (per pound)
1979	60,000	75¢
1980	61,500	64¢
1981	48,300	55¢
1982	61,000	48¢

Source: B.C. Sheep and Wool Commission

The poor return from the wool is due to a number of factors including the following:

1. The wool from meat breeds of sheep used in Canada is too coarse and can not compete with the finer and whiter wool available from other countries.

2. The quality of the wool obtained from Canadian producers is poor containing sawdust and other dust particles. Furthermore, the wool is often discoloured due to urine stains, damp storage conditions and the presence of black fibres.

3. The potential for exporting wool from Canada is limited by the small volume of trade and the high tariffs imposed on wool exported to the U.S.

4. The costs of collecting and shipping wool from B.C. to Ontario are substantial, thereby reducing the net return to the producers.

The Canadian Sheep Council and the C.C.W.G. are jointly attempting to get federal assistance by establishing wool as a commodity under the Agricultural Stabilization Act. If successful, the price paid by C.C.W.G. should increase by 15¢ to 20¢ per pound in 1983.

Due to the declining wool prices paid by C.C.W.G., many B.C. producers have used other outlets to sell their wool. As shown below, only about 21% of the wool produced in B.C. was shipped to C.C.W.G. in 1981.

WOOL PRODUCTION IN B.C.

	Shipped to C.C.W.G.	Total Production	% of Total
	(pounds)	(pounds)	
1979	60,000	182,000	33%
1980	61,500	195,000	32%
1981	48,300	227,000	21%

Source: Statistics Canada, Cat. No. 23-204

Approximately 90,000 pounds of the wool produced in B.C. in 1981 was shipped directly by local brokers to U.S. textile mills. The average return was approximately 70¢ per pound, which is considerably higher than that available through the C.C.W.G.

Another 40,000 pounds of wool were also sold by producers to Modeste Wool Carding Ltd. operated by the Cowichan Indian Band near Duncan, B.C. This wool was used primarily in the manufacture of Cowichan Indian sweaters. The price paid to producers by Modeste Wool Carding Ltd. is 85¢ per pound for Suffolk wool and $1.00 per pound for Cheviot wool. Approximately 60,000 pounds of wool were also imported by Modeste Wool Carding Ltd. from the U.S. and New Zealand.

The major drawbacks to using a greater proportion of B.C. wool are as follows:

1. The local wool has too many black fibres;
2. The wool is not clean enough as it contains sawdust and other debris;
3. The yield from the local wool is poor.

According to the producers contacted, the costs incurred to shear their sheep ranged from $1.25 to $2.50 per head. Based on a yield of 6 pounds per animal, the net return to the producer from the sale of wool amounted to only $2 to $3 per head. As a result, the contribution to production costs from the sale of wool is minimal and can not be relied upon as a significant source of revenue for industry expansion.

C. PELTS

Sheep pelts are presently collected by the slaughtering plants and sold to hide brokers. The major hide broker in B.C. is Martin and Stewart who currently pay $1.00 per pelt. The pelts are sprinkled with boric acid to cure the hide and then shipped in container load quantities of 3,000 to 4,000 pelts to Spain and Italy.

Approximately 300 hides are also purchased each year by local tanners for the manufacture of sheepskin rugs. The market potential to increase sales of pelts is limited, however, due to the lack of sufficient tanners and leather manufacturers in Canada.

D. CASINGS

Sheep intestines are used as casings which serve as the outer shell in the manufacture of processed meats such as sausages and wieners. The major source of sheep casings for the B.C. meat processors is New Zealand. In 1981, a total of 16,300 pounds of casings were imported into B.C. from New Zealand and the total value of the shipments was approximately $143,000.

Lambco attempted to manufacture casings a few years ago, but did not find the operation viable due to the high labour requirements and the lack of sufficient volume. Superior Packing Co. in Ellensburg, however, uses sheep intestines for the manufacture of casings. The value of the unprocessed sheep intestines is in the range of 40¢ to 55¢ per animal.

Based on the processors contacted, the market potential for sheep casings is limited. Furthermore, serious quality control problems have been experienced with casings imported from New Zealand. As a result, the local meat processors gradually are switching to hog or synthetic casings which are considerably stronger than sheep casings.

V. CONCLUSIONS AND RECOMMENDATIONS

Our conclusions and recommendations regarding the marketing strategy and plan of development for the sheep industry in B.C. are provided in the following paragraphs.

A. MARKETING OPPORTUNITIES

A summary of our market research findings regarding the potential to expand the local sheep industry are as follows:

1. The potential increase in industry revenues through sale of sheep products such as wool, mutton, pelts and casings is limited.

2. There exists considerable potential to increase the sales of fresh lamb to the B.C. market if a regular source of supply can be developed. The potential to sell a fresh versus frozen product is considerably greater as there exists a trend towards the sale of fresh lamb and the return from the fresh product is higher.

3. One of the more attractive market segments for B.C. lamb is the meat markets and independents. The buyers in this segment perceive the quality of B.C. lamb as superior to competitive products and are willing to pay a slight premium for the higher quality. Furthermore, since the meat markets prefer to buy primarily carcasses, there already exists a number of slaughtering plants capable of serving this market. The majority of meat markets contacted prefer a relatively small carcass weighing 40 pounds or less.

4. The chain stores also represent a very attractive market for B.C. lamb. The representatives of the major chain stores contacted appear willing to support local lamb if a reliable supply of consistant quality can be assured. One of the major advantages in selling lamb

through the chain stores is that a large volume of lamb can be moved over a relatively short period of time. In addition, the chain stores appeared willing to initially handle B.C. lamb on a seasonal basis when supplies are most plentiful. The size of carcass preferred by the chain stores is in the range of 40 to 50 pounds.

5. In order to obtain a substantial share of the chain store market, however, a steady supply of lamb would have to be developed at a price competitive with U.S. imports. Furthermore, processing facilities would have to be established to provide vacuum packed lamb cuts as well as whole carcasses.

6. While the reputation of B.C. lamb is high in the hotel, restaurant and institutional trade, we do not feel that this market should be initially attempted by B.C. producers. Since the major demand of the restaurants is for lamb racks, it would be necessary to break down a large number of carcasses to serve this market. Furthermore, other markets would have to be developed for the remaining cuts. Consequently, we feel that sales to the HRI trade should be limited to the racks and other excess cuts not required by the retail chain stores.

7. There also exists some potential to increase sales of B.C. lamb to the freezer/ethnic trade by establishing minimum quality standards and undertaking a more coodinated marketing and promotion program. The access to the freezer/ethnic trade, however, is limited primarily to the smaller producers located around the major urban centres.

B. MARKET STRATEGY

We recommend that a phased approach should be taken to develop the market for B.C. lamb. The goals of each phase of the marketing strategy are as follows:

Short Term

To achieve the short term market strategy, the following steps should be undertaken simultaneously:

1. Increase sales of B.C. lamb to meat markets and independents from 190,000 pounds to 350,000 pounds per year.

2. Initiate sales of B.C. lamb to chain stores on a seasonal basis and increase sales from 157,000 pounds to 300,000 pounds per year.

3. Expand the freezer/ethnic trade by 20%, thereby increasing sales to a level of approximately 1,100,000 pounds per year.

In total, the short term goals of the B.C. sheep industry should be to increase sales from the current level of 1.28 million pounds per year to 1.75 million pounds. In order to achieve this volume, production would have to be increased by about 11,500 lambs per year.[4]

Long Term

Once the short term goals have been realized, the steps required to achieve the long term goals of the market strategy are as follows:

1. Increase sales to chain stores to 1,000,000 pounds per year. To do so, fresh vacuum packed cuts would have to be offered on a year round

[4] Based on an average carcass weight of 40.8 lbs.

basis at a price competitive with U.S product. Also an extensive marketing and promotion program should be undertaken at the store level by providing point of sale materials (e.g. recipes and displays) and undertaking taste demonstrations in order to expand the consumption of fresh lamb in B.C.

2. Initiate sales of fresh lamb cuts to gourmet and ethnic restaurants and establish a sales target of 100,000 pounds per year.

As a result, there exists potential in the long term to increase sales of B.C. lamb to a level of approximately 2.5 million pounds per year. Based on our interviews with meat packing plants in B.C., there currently exists ample slaughter capacity to handle the short term and long term sales goals for B.C. lamb. The production of lambs, however, would have to be increased significantly to a total of 62,500 lambs per year.

C. DEVELOPMENT PLAN

The individual steps and the proper sequence of steps required for the orderly development of the sheep industry in B.C. are provided below:

1. The costs of sheep production in B.C. must be reduced substantially through greater productivity and improved management practices.

   The B.C. Ministry of Agriculture and Food should provide increased support for sheep producer education programs such as the sheep technician program in Alberta or through specialized training for Ministry extension staff. The primary emphasis of the education programs should be to increase the number of lambs marketed per ewe through better nutritional management, lower mortality and the use of better breeding stock.

2. The production capacity of the industry must be increased through the attraction of more full time commercial sheep producers.

To achieve the long term marketing goals, an additional 31,000 lambs per year are required. In order to be competitive, future industry expansion should be encouraged in the areas of the province where feed and other production costs are lowest. Crown range land in B.C. should be utilized more fully for sheep production in order to reduce feed costs and provide room for industry growth. In addition, the development of commercial feedlots should be encouraged to provide a more constant supply of lambs to B.C. meat packers.

3. The B.C. Sheep and Wool Commission should undertake a more active role in the development and promotion of the sheep industry.

Once the production capacity of the industry has been increased significantly, a full time General Manager should be appointed. The General Manager should act as the focal point for the industry by coordinating the supply of lambs to the abattoirs. By combining the lambs of a number of producers into truckload quantities, transportation costs could be minimized. The General Manager would work closely with the slaughtering plants and retail stores to keep them informed of the supply situation in order that the market can be developed in an orderly fashion. In addition, it would be the responsibility of the General Manager to conduct necessary market research to update information on the size of the market and the market share held by B.C. producers.

The salaries and expenses to hire a General Manager and to conduct a market development program are estimated to be in the range of $50,000 to $60,000 per year. The sources of revenue to meet these

additional expenses include a levy on the lambs slaughtered in inspected and licenced plants. In addition, financial support should be solicited from the Farm Product Industry Act administered by the B.C. Ministry of Agriculture and Food and the Canadian Agriculture Market Development Fund (C.A.M.D.F.) administered by Agriculture Canada. Other potential sources of funding are outlined in the B.C. Ministry of Agriculture and Food publication entitled Assistance Programs for British Columbia Food Producers and Processors. To minimize the impact on the producer, the initial level of government support should be about 75% of the costs of hiring a General Manager and setting up a market development program. The financial assistance should be on a declining support basis such that as the industry expands, the revenue generated from producer levies would be sufficient to meet the total expenses.

Other marketing mechanisms to be considered include the establishment of a joint marketing program with the veal or rabbit producers. Based on our preliminary discussions, the veal producers in B.C. are willing to cooperate with the local lamb producers in establishing a market development program. In addition, the Rabbit Producers Association of B.C. has recently hired a General Manager and initiated a similar marketing program through assistance provided by the Farm Product Industry Act. As a result, they have already set up distribution channels to the chain stores and meat markets which could also be used to market lamb.

The marketing functions of the General Manager could also be undertaken by the meat packing industry. If the volume of sheep produced in B.C. increased significantly, the increased activity may stimulate sufficient interest in the packing/processing industry to perform the marketing and co-ordinating functions suggested for the General Manager.

4. The slaughtering of lamb should be concentrated in only one or two plants in B.C. in order to achieve economies of scale and reduce killing costs.

   A more detailed study should be undertaken to determine the equipment and methods required to improve productivity and reduce the costs of slaughtering lamb in B.C.

5. Processing facilities to break down the carcass and package lamb into selected cuts should be established.

   The lamb should be cut into the major primal cuts which includes loins, racks, shoulders, and legs. These cuts should be vacuum packed and placed in cardboard boxes for distribution to the chain stores and HRI trade.

6. An extensive promotion campaign should be initiated by the B.C. Sheep and Wool Commission to increase lamb consumption.

   A common logo should be developed to promote the availability and superiority of B.C. lamb. Furthermore, assistance should be provided by the Marketing Branch of the B.C. Ministry of Agriculture and Food to develop point of sale materials and to undertake taste demonstration programs.

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APPENDIX I

LIST OF COMPANIES CONTACTED IN THE FOOD INDUSTRY

LIST OF COMPANIES CONTACTED

CHAIN STORES

1. Macdonalds Consolidated Ltd. (Safeway)
2. Kelly Douglas & Co.
3. Overwaitea
4. Woodwards
5. IGA
6. Stongs

MEAT DISTRIBUTORS AND PURVEYORS

1. Canada Packers Inc.
2. Gainers Inc.
3. L.J. McDonald & Sons Ltd.
4. Burns Meats Ltd.
5. HRI Meat Purveyors Ltd.
6. Intercity Packers Ltd.
7. Laurel Meat Packers Ltd.
8. Centennial Packers Ltd.
9. Mainland Meat Supply Ltd.
10. J.D. Sweid & Co. Ltd.

MEAT BROKERS AND IMPORTERS

1. Emcee Trading Co. Ltd.
2. H. Cleveland & Co. Ltd.
3. SMC Meat Services Ltd.
4. Jim Boyd Meat Brokerage
5. New Zealand Lamb Company Lt.d
6. Columbia Meats Ltd.
7. Lambco

MEAT MARKETS

1. James Inglis Reid Ltd.
2. Graham's Markets
3. George Jackson Meats Ltd.
4. Roma Meat Market
5. Falcone Bros. Meat Market
6. Fouth Avenue Gourmet Meats
7. Fraser Meats Ltd.
8. Village Meat and Delicatessen
9. Mike's Quality Meats and Delicatessen
10. Halal Meats Ltd.
11. Windsor Quality Meats
12. Hycrest Meat Market
13. Roane's Quality Meats
14. Dunbar Meats Ltd.
15. Quality Meat Market
16. Red Steer Quality Meats
17. Shaughnessy Fine Meats and Lockers
18. Granville Island Meats Ltd.
19. Tenderland Meats (1981) Ltd.
20. Boucherie Francaise La Madrague
21. Perri Meat Market
22. European Meat Market
23. Andy's Sanitary Meat Market
24. Italian Meat Market Ltd.
25. Lucky Meat Market
26. Friendly Meats
27. Glenburn Meats
28. Old Orchard Meats Ltd.
29. Newton Hi Quality Meats Co. Ltd.
30. Family Meat Market
31. The Scotch Butcher Ltd.
32. A & B Quality Meat Market
33. Bill's Quality Meats
34. R. Briscoe Markets Ltd.
35. Dennett's Meat Market

HOTELS, RESTAURANTS, AND INSTITUTIONS

1. The Westin Bayshore
2. Mother Tucker's Food Experience
3. Al Ritrovo Restaurant
4. Paesano's Italian Restaurant
5. Eduardo's Brick Rotisserie Restaurant Restaurant
6. Il Corso
7. San Marco Ristorante Italiano
8. Aretousa Restaurant Ltd.
9. Carlucci Restaurant & Catering
10. The William Tell Restuarant
11. Fado Restaurant
12. Bino's Restaurant
13. Adega
14. Sheraton-Landmark Hotel
15. Hotel Vancouver
16. Hyatt Hotels
17. Holiday Inn
18. English Bay Cafe Restaurant
19. Keg Restaurants Ltd.
20. Orestes'
21. White Spot Ltd.
22. Mr. Mikes Char Broiled Steaks
23. Bisaro's
24. Hy's of Canada Ltd.
25. Umberto's Restaurant Ltd.
26. B.C. Purchasing Commission

APPENDIX 2

STUDY TERMS OF REFERENCE

B.C. SHEEP & LAMB MARKETING OPPORTUNITIES STUDY

Objectives

To undertake a review of the B.C. sheep production and marketing situation in order to identify opportunities for additional economic activity in this industry. Particular emphasis will be placed on recommendations to overcome perceived constraints in order to access potential markets.

Study Outline

1. Summary of current production, highlighting production size and location, industry structure and production patterns.

2. Current demand for lamb, both fresh and frozen, will be reviewed with major emphasis on retail requirements and imports from New Zealand, U.S.A. and Alberta. Included in this section should be a summation of tariff protection and pricing mechanisms. Identification will be made of target markets for industry production.

3. Current marketing methods and capabilities will be summarized, including slaughter facilities and capacity and market methodologies such as direct to consumer, auction or delivery to packers. A review of wool sales will be included as this affects industry returns.

4. Price fluctuations in fresh lamb will be reviewed utilizing a recent national marketing study and provincial sales data through income assurance.

5. Constraints to sheep production and marketing such as predators, supply consistency, transportation, slaughter availability and market promotion will be assessed.

6. An information gathering seminar will be held (along similar lines to the recent veal marketing seminar) to facilitate government/producer/packers/purveyors assessment of a series of issues affecting market development. Proceedings of the seminar are to be prepared by the consultant and incorporated into the report as an appendix.

7. Development potential for the industry relating to both marketing and production options will be assessed and evaluated. A review of development programs currently available to the industry will be prepared as a study section.

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8. Conclusions and recommendations of the report will be prepared, aimed at identifying economically feasible options for industry development.

Explanatory Notes

- Dr. Steve Mason, Provincial Sheep Specialist, will make industry/producer profiles available to the consultant in order to facilitate completion of section one of this study outline. These profiles will form part of the completed study.

- Sources of information are available in the form of unpublished studies/surveys which are enclosed, for use by the consultant. These include:

  Agriculture Canada, The Future Development of Canada's Sheep Industry: A Policy Perspective (Draft, January 21, 1982).

  Agriculture Canada, B.C. Lamb Industry Packing Plant Survey (February 25, 1980).

  Agriculture Canada, Lamb Marketing Study (1979)

- The Marketing Branch of the B.C. Ministry of Agriculture and Food is currently preparing a study into the Hotel, Restaurant, and Institutional (H.R.I.) Markets for B.C. Lamb and a draft report will be available soon. Further information may be obtained from Mr. Jim Alcock, Supervisor, Market Research and Analysis, Surrey, B.C. (584-7691).

- It is anticipated that the consultant will make considerable use of the studies, surveys, and data which are currently available from the enclosed information and Dr. Mason, and will seek out other existing industry and government data which may be of use in the preparation of the proposal and in the conduct of the study.

- It is expected that the study will take about two months to complete. The budget ceiling for this project is $17,000 for fees and expenses. A suggested breakdown of the relative importance of project tasks given in the study outline is as follows:

Task	% of Effort
1 to 5 inclusive	60%
6 to 8 inclusive	40%

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The original of the project report is to be delivered in copy ready form for printing and distribution at ARDSA expense. Twelve copies of a draft report are to be provided within three months of notice of consultant selection. Additional time is available if required, provided that this is laid out in the study proposal.

Liaison and Coordination

A project management committee, chaired by Dr. Steve Mason, has been established to oversee progress on the project. The committee includes representatives from the B.C. Ministry of Agriculture and Food, Agriculture Canada, and the B.C. Sheep and Wool Commission. The consultant will be expected to work closely with this committee, meeting with the committee chairman on a fortnightly basis, and should be prepared to meet with the full committee at the start, mid-point, and end of the study to discuss progress. It is expected that such meetings would be held in the Lower Mainland or Fraser Valley area.

A contract will be established with the ARDA Branch of the B.C. Ministry of Agriculture and Food. Payments will be made on monthly invoices, subject to a holdback of 15% per payment pending satisfactory completion of the project.

Contents of Proposal

1. Outline of qualifications of the firm in terms of relevant experience.

2. Curricula vitae of proposed project staff and applicable per diem rates.

3. Presentation of proposed approach and methodology.

4. Proposed work plan and proposed staff assignments in person days.

5. Project budget breakdown against the work plan prepared indicating:

   - total value of fees
   - total estimated value of expenses
   - total cost of proposed study
   - estimated time required for completion of study from date of notification.

APPENDIX 3

INDUSTRY SUPPORT
AND DEVELOPMENT PROGRAMS

INDUSTRY SUPPORT AND DEVELOPMENT PROGRAMS

A. B.C. MINISTRY OF AGRICULTURE AND FOOD EXTENSION SERVICES

Through the Regional Extension Services Branch, the B.C. Ministry of Agriculture and Food provides technical assistance and advice to sheep producers in each region of B.C. In addition, the Livestock Branch of B.C. Ministry of Agriculture and Food has appointed a Sheep Specialist to assist the industry in the development of educational programs and services to producers.

B. FARM INCOME INSURANCE PROGRAM

The purpose of the Farm Income Insurance Program, administered by the B.C. Ministry of Agriculture and Food, is to improve farm security by reducing financial risks which are associated with changes in market prices and production costs. The program is carried out on a volunteer basis and, to be eligible, a producer must be a member of the B.C. Sheep and Wool Commission.

The type of assistance provided includes compensation to producers when market returns are below a cost determination based upon cost of production. Payments received under the Canada Agricultural Stabilization Act are subcontracted from benefits paid to producers. Participating farmers and the B.C. Government share the premiums equally.

C. AGRICULTURAL STABLIZATION ACT

The purpose of the Agricultural Stablization Act, which is administered by Agriculture Canada, are as follows:

1. To stablize the prices of agricultural commodities in order to assist the industry of agriculture to realize fair returns for its labour and investment.

2. To maintain a fair relationship between prices received by farmers and the costs of goods and services that they buy.

The support level for assistance is at least 90% of the five year average market price, indexed for changes in the cost of production.

D. OTHER DEVELOPMENT PROGRAMS

A more detailed description of the above programs as well as other industry support and development programs are outlined in the B.C. Ministry of Agriculture and Food publication entitled Assistance Programs for British Columbia Food Producers and Processors.